

ATTACHMENT J-20
CONTRACT LABOR CONFIRMATION OF NEGOTIATIONS

August 13, 1998

National Aeronautics & Space Administration
Lyndon B. Johnson Space Center
Houston, TX 77058

Attention: Herb Baker, Contracting Officer

Defense Contract Management Command
Boeing Seattle

Attention: Paul Karkainen

Subject: Contract NAS15-10000, International Space Station,
Contract Labor, Confirmation of Negotiations

Reference: Special Contract Requirement H-30, "Advance Agreement
Regarding Direct and Indirect Rates As A Basis For
Negotiation Settlement and Allocation Of Prime Contractor
Indirect Cost To Certain Subcontract Labor"

The Boeing Company, Information, Space and Defense Systems
(Boeing), is pleased to confirm that negotiations to settle the "Contract
Labor" issue were concluded on August 13, 1998.

The basis for this agreement is reflected below:

1. Boeing will make an accounting change effective calendar year 1999 that will establish combined site resource overhead pools for Houston/Huntsville. The pool separation from Puget Sound pools will include Engineering and Manufacturing resource overhead expenses, Material and Factory Direct Support distributed direct costs, Produce Pool 01, and the establishment of separate Engineering, Manufacturing and Product Computing Cost Centers and Lump sum factors for the allocation of Lump Sum payments. It should be noted that this change affects only heritage Boeing Defense & Space Group accounting and, therefore, has no impact on entities of The Boeing Company operating under heritage McDonnell Douglas or Rockwell accounting systems.

2. Boeing will credit a net of \$1.2M to the ISS contract specifically for 1998 sustaining engineering in accordance with the accounting changes described in paragraph 1 above. These costs will be reallocated to other cost objectives as appropriate.
3. Boeing will credit a net of \$1.7M to the ISS contract for the “pre-conversion” period of November 1993 through March 1995. These costs will be reallocated to other cost objectives as appropriate.
4. Boeing has accepted a challenge to reduce prospective contract cost by \$14,276,000 over the remaining lifetime of the subject contract through the conversion of approximately 50% of existing contract engineering arrangements to purchased engineering arrangements in a manner consistent with Boeing’s disclosed practices and procedures.
5. A modification to the subject contract shall be executed by both parties not later than August 24, 1998 that incorporates the following:
 - a. An adjustment to target cost and fee as follows:

Target Cost	\$64,812,090.00
Incentive Fee	\$ 3,240,605.00
Award Fee	<u>\$ 3,240,605.00</u>
Total	\$71,293,300.00
Maximum Incentive Fee	\$ 9,721,814.00
Minimum Incentive Fee	\$ 1,296,242.00
 - b. Deletion of Special Contract Requirement H-30 in its entirety.
 - c. A full and final accord, satisfaction and mutual release covering the issues arising out of ASBCA Cases 49874, 50699, and 50700.
6. Boeing shall make the accounting adjustments necessary to effect the credits described in paragraphs 2 and 3 no later than 15 days after execution of the contract modification described in paragraph 5.
7. NASA shall release the \$48,369,570 currently being withheld for

this issue within 15 days of receiving a suitable public voucher for the withhold from Boeing. There will be no further withholds on subsequent billings for this issue unless the time frames for completing the settlement modification described in paragraph 5 above or the accounting adjustments addressed in paragraph 6 are not met.

8. Both parties shall immediately cease all litigation associated with this issue.
9. Upon the signature date of the modification described in paragraph 5 or the release of the withhold described in paragraph 7, whichever occurs last, Boeing will withdraw its appeals from the ASBCA which are currently docketed under ASBCA cases 49874, 50699, and 50700 and will request that the ASBCA dismiss these appeals with prejudice.

Questions concerning this correspondence may be directed to the undersigned at (253) 773-1230.

Original Signed By

Robert J. Ingersoll
Vice President-Contracts and Pricing
The Boeing Company
Information, Space and Defense Systems

Concurrence:

Original Signed By

Herb Baker
Contracting Officer

Original Signed By

Paul Karkainen
Divisional Administrative Contracting Officer